

SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY ADOPTING MSB 3.15.036 \$75,000 OWNER-OCCUPIED RESIDENTIAL REAL PROPERTY EXEMPTION AND MSB 1.10.170 1.5 PERCENT AREAWIDE SALES TAX (WITH EXEMPTIONS FOR SALES WITHIN THE CITIES); AND SUBMITTING THE PROPOSITION TO THE VOTERS AT THE NOVEMBER 3, 2026, REGULAR BOROUGH ELECTION.

AGENDA OF: June 2, 2026

ASSEMBLY ACTION:

AGENDA ACTION REQUESTED: Introduce and set for public hearing.

Route To	Signatures
Originator	<div style="text-align: right; font-size: small;">5 / 7 / 2 0 2 6</div> <p>X N S f o r A s s m N o w e r s</p> <hr/> <div style="font-size: x-small;">Signed by: N i c h o l a s S p i r o p o u l o s</div>
Finance Director	<div style="text-align: right; font-size: small;">5 / 7 / 2 0 2 6</div> <p>X C h e y e n n e H e i n d e l</p> <hr/> <div style="font-size: x-small;">Signed by: C h e y e n n e H e i n d e l</div>
Borough Attorney	<div style="text-align: right; font-size: small;">5 / 7 / 2 0 2 6</div> <p>X N i c h o l a s S p i r o p o u l o s</p> <hr/> <div style="font-size: x-small;">Signed by: N i c h o l a s S p i r o p o u l o s</div>
Borough Manager	<div style="text-align: right; font-size: small;">5 / 7 / 2 0 2 6</div> <p>X M i c h a e l B r o w n</p> <hr/> <div style="font-size: x-small;">Signed by: M i k e B r o w n</div>
Borough Clerk	<div style="text-align: right; font-size: small;">5 / 1 1 / 2 0 2 6</div> <p>X L o n n i e M c K e . . .</p> <hr/> <div style="font-size: x-small;">Signed by: L o n n i e M c K e c h o l e</div>

ATTACHMENT (S): Ordinance Serial No. 26-072 (52 pp)
Fiscal Note (1 pp)

SUMMARY STATEMENT: This ordinance is sponsored by Assemblymember Nowers to allow the Borough to provide a \$75,000 owner occupied residential real property exemption and levy a 1.5% areawide sales tax within the entire Matanuska-Susitna Borough with exemptions for sales within the cities. State law allows the Matanuska-Susitna Borough to institute a residential real property tax exemption up to \$75,000 and allows the Matanuska-Susitna Borough to institute a sales tax. However, state law also requires that both measures be approved by the voters before they can take effect. Since the intent of this ordinance is revenue diversification, there will be a single ballot question.

Currently, the MSB Assembly establishes the mill rate for areawide real property taxes and sets the rate on an annual basis. Historically, the assessments of land and structures were reasonable but in recent years with the Covid pandemic and the upward shift in nationwide inflation, property assessments have exponentially grown increasing the tax burden. The current system of taxation in the Matanuska-Susitna Borough places an overwhelming burden of taxes on real property rather than spreading the tax burden evenly across all aspects of activity throughout the entire Borough.

The intent of this ordinance is to grant a measure of real property tax relief to local homeowners while also recognizing that revenue is needed for government functions. To offset the reduction in revenue due to the owner occupied residential real property exemption, a 1.5% sales tax will be enacted. This sales tax will have an exemption so that the sales within the cities are exempt and the tax will not be 'stacked' on top of city sales taxes.

This shift provides a significant financial boost to people living in their homes here in the Valley. At the same time, it increases revenue from visitors who benefit from Borough taxpayer-funded infrastructure and services, thereby helping lower the tax burden for all Borough residents. This proposed ordinance will be placed on the November 3, 2026 ballot for all Borough residents to vote whether to approve this shift in the tax structure.

\$75,000 OWNER-OCCUPIED RESIDENTIAL REAL PROPERTY TAX EXEMPTION

The owner occupied residential real property tax exemption will grant a good measure of tax relief to homeowners without forcing a mill rate increase for other property tax payers. For the average homeowner with a \$400,000 home, it would result in an approximately \$750 decrease a year in property taxes. In addition, the Assembly may increase the exemption to adjust it to inflation. To qualify, the ordinance requires 185 days of residency in the same owned property within the Borough in the year prior to January 1. Thereafter, if someone moves to another property within the Borough, but with less than 185 days, they can still qualify if they otherwise meet the criteria. Some important provisions are that only one exemption is allowed per property, only one exemption is allowed per person, and if someone is registered to vote outside the Matanuska-Susitna Borough, they cannot qualify for the exemption. Finally, this exemption is not allowed to be combined with any other exemption. It cannot be added to a senior/disabled exemption, a farm exemption, or any other exemption required or allowed under Borough code.

If approved by voters, the exemption will take effect on December 31, 2026 so that qualifying applicants can qualify during the 2027 assessment and application period and the exemption will be applicable to the property as of January 1, 2027.

1.5% SALES TAX

The sales tax proposal here largely mirrors the sales tax currently levied within the cities and the Talkeetna Sewer & Water Service Area. This means that the administration of the sales tax will not be something new, unusual, or unique.

Of note, the sales tax proposed here will require taxation of all sales and rentals delivered into the Matanuska-Susitna Borough if the seller is not located in the Borough but provides goods or services over \$100,000 annually or conducts more than 200 transactions annually in the Borough. In plain terms, this means that internet sales are taxed. In 2018, the United States Supreme Court ruled that a business does not have to be physically located in a State to satisfy the demands of due process, which requires that there be some definite link, some minimum connection, between a state and the person, property or transaction it seeks to tax. See South Dakota v. Wayfair, Inc., 138 S.Ct. 2080 (U.S. 2018). The Matanuska-Susitna Borough is aware of the holding and the policy reasons for the State of South Dakota enacting the tax at issue in Wayfair and is adopting this proposed sales tax for the same reasons. The requirement that taxes on interstate commerce must apply to an activity with a substantial nexus with the taxing authority is established when the taxpayer or collector avails itself of the substantial privilege of carrying on business in that jurisdiction. The Borough's sales tax ordinance as it applies to non-resident sellers is generally copied from the South Dakota law.

A very important provision of the sales tax here is that it will exempt city and service area sales taxes up to 1.5% (the proposed rate here). Sales within the Cities of Palmer, Wasilla, Houston, and the Talkeetna Service Area will be exempt up to 1.5% as long as those existing levies remain or above 1.5%. Functionally, this means that what shoppers see inside the cities will not change and the sales tax rates applicable in the cities will remain in the control of the city councils.

This specified partial exemption within geographic areas is permissible under the Alaska Supreme Court's ruling in ICHERRA v. Fairbanks North Star Borough, 135 P.3d 1000 (Alaska 2006).

The areawide sales tax will become effective on April 1, 2027 only if the ballot proposition in the ordinance is approved by a majority of the qualified areawide voters voting on the proposition

at the regular Borough election on November 3, 2026. This means if approved, taxpayers would start paying the taxes on April of 2027 and see the decrease in their property tax payments starting in August of 2027.

RECOMMENDATION OF ADMINISTRATION: Consider legislation

MATANUSKA-SUSITNA BOROUGH

FISCAL NOTE

Agenda Date: June 2, 2026

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FISCAL ACTION (TO BE COMPLETED BY FINANCE)	FISCAL IMPACT YES NO
AMOUNT REQUESTED *	FUNDING SOURCE Property Tax exemptions and new Sales Tax revenue
FROM ACCOUNT # 100.xxx.xxx 3xx.xxx	PROJECT
TO ACCOUNT: 100.000.000 3xx.xxx	PROJECT #
VERIFIED BY: X _____ 5 / 7 / 2 0 2 6 L i e s e l Z a n t o S i g n e d b y : L i e s e l Z a n t o	

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Personnel Services						
Travel						
Contractual						
Supplies						
Equipment						
Land/Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING						

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

General Fund						
State/Federal Funds						
Other						
TOTAL						

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (Attach a separate page if necessary) *Actual fiscal impact based on property tax exemption eligibility and sales taxes collected.

APPROVED BY:	 X _____ C h e y e n n e H e i n d e l S i g n e d b y : C h e y e n n e H e i n d e l
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